

FY 2007 Property Tax Update



★ A NEWSLETTER FROM THE CITY OF CAMBRIDGE ★ EXECUTIVE DEPARTMENT ★

Dear Residents and Taxpayers of Cambridge:

Fiscal Year 2006 was another strong year financially for the City of Cambridge. The City's excess levy capacity and free cash increased, actual revenues exceeded projections, and the total assessed value of property in Cambridge increased. In May, the City Council adopted an FY07 budget that projected a property tax levy increase of 5.5%. However, because of the stronger than anticipated fiscal position at FY06 year-end, the City has elected to use an additional \$3.5 million in free cash and non-property tax revenues to reduce the amount that must be raised through the property tax levy. As a result, I am pleased to report that the actual FY07 property tax levy of \$231,787,094 reflects an \$8,826,803 or a 3.96% increase from FY06. The property tax levy is the amount of revenue raised through property taxes in a given year. **This is the lowest percentage increase since FY2000, excluding last year.**

Based on the votes taken by the City Council on September 25, 2006, the Massachusetts Department of Revenue has established a residential tax rate of \$7.48 per thousand of value and a commercial tax rate of \$18.30 per thousand of value. These rates reflect a small increase from last year of \$0.10, or 1.36% for residential and \$0.44, or 2.46% for commercial. The tax bills mailed in October will be based on these rates.

Approximately 65% of residential taxpayers will see a reduction, no increase or an increase of less than \$100 in their FY07 tax bill. In fact, about 19.2% will see a reduction in their tax bill. An additional 45.6% will see

★
**Sound financial
 planning enabled
 the City to
 limit growth
 of residential
 property taxes.**

either no change or an increase of less than \$100. The tables on the following page illustrate the changes in the median tax bills.

In addition, the City has appropriated \$8 million from free cash to the City's Debt Stabilization Fund to offset potential additional debt service costs in future years for the City's major capital projects (Main Library, Public Safety Facility, West Cambridge Youth and Community Center, War Memorial and renovations to the high school) as a result of higher construction costs. This one-time appropriation will

help stabilize tax levy increases related to these projects in future years.

Overall, continued sound financial management and planning has enabled the City to limit the growth of the residential property taxes. It is my belief that the City Council and City officials have listened to the taxpayers and residents to produce a property tax levy increase which is modest but which allows us to maintain the wide array of services that the citizens of Cambridge have come to expect and enables us to maintain and improve the City's infrastructure.

Once again this year, the City's Assessing Department is offering taxpayer assistance meetings. Please see the back cover of this brochure for dates, times and locations. I encourage you to examine this brochure and to seek out City staff from the departments listed on the back cover with any questions or comments.

Sincerely,

ROBERT W. HEALY, CITY MANAGER

How To Read Your Tax Bill

City of Cambridge			Fiscal Year 2007 Real Estate Bill		
Tax Rate Per \$1000	Res: \$7.48	Com: \$18.30		Assessed Owner SMITH, JOHN	Bill No. 21845031
Property Description and Location			Real Estate Values		Real Estate Taxes and Charges
Parcel: 40-84 Deed book/page: 14998/502 Location: 123 MAIN ST Class: 101 Lot size: 3250 sqft JOHN SMITH 123 MAIN ST CAMBRIDGE MA 02139			Residential	\$506,970	Res. Tax \$2,266.40
			Commercial		Com. Tax
			Residential Exemption	\$203,975	CPA \$45.55
			Total Taxable Value:	\$302,995	Betterments/Liens
			Betterments/Liens		Exemptions/Abatements
			Water Lien	\$0	Total Due FY 2007 \$2,311.95
			Sewer Lien	\$0	1 st Payment Due Nov 2006 \$1,155.98
			Total Lien	\$0	2 nd Payment Due May 2007 \$1,155.97
					Amount Now Due \$1,155.98

Tax Bill Key

PROPERTY TAX DESCRIPTION AND LOCATION

- **Parcel:** Also known as map, lot, & unit, this number identifies your property on the City's internal map. When making a payment, please reference the parcel on your check.
- **Location:** The legal address of the assessed property.
- **Class:** A code which identifies the type of property. (e.g. 101: Single Fam, 102: Condo, 104: 2-Fam, 105: 3-Fam)
- **Lot Size:** Square footage of the land. For condominiums, the square footage represents living area.

REAL ESTATE VALUES

- **Residential, Commercial:** The value of your property as of January 1, 2006.
- **Residential Exemption:** An exemption granted to owners who occupy the property as the primary residence. This amount is exempt from taxes. The FY 2007 exemption is \$203,975. **If you do not see this amount on your bill and think you qualify, please contact the Assessing Department.**
- **Total Taxable Value:** The sum of residential and commercial value minus the residential exemption. The tax rate is applied to this amount.

BETTERMENT/LIENS

- **Water/Sewer Liens:** Water and sewer charges more than 90 days overdue are added to your tax bill.

ASSESSED OWNER

- **Assessed Owner:** Person who owned the property on January 1, 2006.

REAL ESTATE TAXES AND CHARGES

- **Res. Tax:** Taxes due on residential property.
- **Com. Tax:** Taxes due on commercial property.
- **CPA:** Community Preservation Act Surcharge. The City's surcharge rate is 3%, with a \$100,000 exemption for residential property.
- **Betterments/Liens:** Full amount is due with first half payment.
- **Exemption/Abatements:** Tax reduction due to abatements and exemptions. (Except the residential exemption, which is reduced from the residential value and reflected in the tax amount.)

Abatement applications are due on bill due date.
Download an application form from the City's website at www.cambridgema.gov (Online Services, City Permits and Applications) or telephone the Assessing Department at **617 349 4343**.

Assessment Update

FY07 values are based on market activity that occurred during calendar year 2005, during which the overall valuation of the City's residential property increased by a modest 1.2% and the overall valuation of commercial property increased by 1.9%. During the past two years, the commercial market has stabilized in both rental rates and vacancies in office buildings. The major component of the increased commercial value, however, continues to be new construction of life science buildings and the personal property associated with these developments.

For several years prior to FY06, escalating residential values outpaced increases in commercial value, resulting in a shift of the tax burden from commercial to residential property owners. However, in FY06, this trend reversed. In FY07, the continued strong commercial market, coupled with the slow-down in residential property value increases has resulted in the tax burden shifting slightly back to commercial taxpayers from residential taxpayers for the second year in a row.

To review assessed values of homes as compared to sales data; visit the City's web-based property database at www.cambridgema.gov/assessor.

The table below illustrates the change in median tax bills between FY 2006 and FY 2007 for residential taxpayers. The median is the midpoint value, which has an equal number of values below and above it.

CHANGE IN THE MEDIAN VALUE AND TAX BILL BY PROPERTY CLASS

	FY06 Median Value	FY06 Tax Bill*	FY07 Median Value	FY07 Tax Bill*	Dollar Change	Percent Change
SINGLE FAMILY	\$651,600	\$3,261	\$674,800	\$3,522	\$261	8.0%
CONDOMINIUM	\$365,850	\$1,152	\$366,800	\$1,218	\$66	5.7%
TWO FAMILY	\$669,100	\$3,390	\$669,100	\$3,479	\$89	2.6%
THREE FAMILY	\$781,100	\$4,217	\$758,500	\$4,148	(\$69)	(1.6%)

* Includes Residential Exemption

The table below illustrates how approximately 65% of residential taxpayers will see a reduction, no change or an increase of less than \$100.

CHANGE IN THE RESIDENTIAL TAX BILLS*

CHANGE IN TAX PAYMENT	NUMBER OF ACCOUNTS	PERCENTAGE
LESS THAN \$0 (TAX DECREASE)	3,494	19.2%
GREATER THAN \$0 BUT LESS THAN \$100.00	8,298	45.6%
GREATER THAN \$100.00 BUT LESS THAN \$250.00	4,349	23.9%
GREATER THAN \$250.00 BUT LESS THAN \$500.00	1,401	7.7%
GREATER THAN \$500.00	655	3.6%
TOTALS	18,197	100%

* Based on Single, Two, Three Family and Condominiums and assumes the Residential Exemption for each parcel in both years.

THREE MAJOR FACTORS DETERMINE YOUR TAX BILL:

THE CITY'S BUDGET: As a result of the recommendations adopted by the City Council, there is 3.96% increase in the property tax levy required to balance the FY07 Budget. The property tax levy for FY07 is \$231,787,094.

PROPERTY VALUES: FY07 values are based on market activity from January 1, 2005 through December 31, 2005. The rate of increase in residential values slowed as compared to market activity in the prior 12 month period.

THE COMMERCIAL-RESIDENTIAL PROPERTY TAX CLASSIFICATION: Because commercial values increased again and residential values moderated, the share of property taxes paid by commercial taxpayers increased from 63.2% to 63.4%. The residential share decreased from 36.8% to 36.6%.

Frequently Asked Questions

About Your Assessment

★ HOW DOES THE CITY DETERMINE THE VALUE OF MY HOUSE?

The State requires that the City establish the full and fair cash value of all real estate as of January 1 of each year. To determine FY 2007 values, the Assessing Department reviewed all valid sales that occurred between January 1, 2005 and December 31, 2005. A computer model is used to calculate property values based on this market activity as well as certain property-specific attributes such as location, size, type and condition. This is known as the “mass appraisal method.”

★ WHAT IF I DISAGREE WITH MY ASSESSMENT?

You can file an application for abatement with the Assessing Department. Abatement applications are due on or before the bill due date. You may obtain an application by calling the Assessing Department at 617 349 4343, or by downloading the form from the City’s website: www.cambridgema.gov. The form is available under “Online Services, City Permits and Applications.”

★ WHO VERIFIES THAT THE ASSESSING MODEL USED BY THE CITY AND THE RESULTING PROPERTY VALUES ARE ACCURATE?

Annually, the Massachusetts Department of Revenue (DOR) performs a statistical analysis of the City’s property values. Additionally, every three years the DOR conducts a comprehensive analysis of the City’s appraisal system and reviews property values to ensure that they represent full and fair market values. In FY 2005, the City’s assessing model was certified by the DOR after a rigorous review.

★ WHY SHOULD I LET THE CITY ASSESSING DEPARTMENT IN MY HOUSE FOR AN INSPECTION?

Interior inspections are an important part of the City’s assessment process. Just as a potential buyer of real estate inspects the interior of a home before making an offer, the City can make a better determination of value based upon accurate data using interior inspections. Often the results of the inspection can be beneficial to the taxpayer by correcting data. Examples of data reviewed include: dwelling type, condition and size of exterior and interior, number of bathrooms and fireplaces, and whether attics and basements are finished or unfinished.

★ WHY CAN’T THE CITY JUST LOWER PROPERTY VALUES IN ORDER TO REDUCE TAX BILLS?

State law requires the City to assess property at full and fair market value. However, lower property values do not necessarily result in lower tax bills. Since a fixed amount of revenue must be raised each year through property taxes in order to fund the budget, lower overall property values would result in a higher tax rate.

★ WHAT IF I OWN A TWO OR THREE FAMILY HOUSE AND IT HAS SOME VACANT UNITS? DOES THAT IMPACT MY PROPERTY ASSESSMENT?

Two and three family homes are traditionally purchased as primary residences not as investment real estate; therefore, the comparable sales approach is the most appropriate method to value the property. The sales comparison approach uses similar sales to determine the market value as of January 1st and does not use the income the property generates to determine the assessed value.

About the City Budget

★ DOES THE CITY USE ITS RESERVES TO BALANCE THE BUDGET AND LOWER PROPERTY TAXES?

Yes. The City, on average, has used \$9.5 million in reserve funds in each of the past 10 fiscal years. This prudent and planned use of City reserves has been positively recognized by the three major credit rating agencies, and is reflected in the City’s AAA credit rating. If the City used all of its reserves in one year to reduce property taxes, the next year’s taxes would increase significantly since the reserves would no longer be available.

★ WHAT DOES “EXCESS LEVY CAPACITY” MEAN?

The property tax levy is the revenue a community can raise through property taxes. Proposition 2½, enacted in 1980, limits the amount that Massachusetts communities can raise in property taxes. Excess levy capacity is the difference between what the city actually levies and what the city could levy. The City of Cambridge’s excess levy capacity for FY07 is \$73.6 million.

About Your Bill

★ **MY MAILING ADDRESS HAS CHANGED. HOW DO I NOTIFY THE CITY SO THAT MY TAX BILL IS SENT TO THE CORRECT ADDRESS?**

The City's Assessing Department requires a mailing address change form. You may obtain the form by calling the Assessing Department at 617 349 4343, or by downloading the form from the City's website: www.cambridgema.gov. The form is available under "Online Services, City Permits and Applications."

★ **I AM A NEW OWNER. WILL THE TAX BILL BE SENT TO ME?**

Not necessarily. The assessment date is January 1, 2006. The property is legally assessed and billed to the owner as of January 1. We make every effort to get new owner address changes into our system; however, sometimes it is several months before we receive a copy of the new deed. If you do not receive a bill by November 1st, please contact the Finance Department at 617 349 4220 and request a duplicate bill. You also may e-mail us at treasurer@cambridgema.gov. You are responsible for paying the bill whether you receive it or not.

★ **AM I ELIGIBLE FOR A RESIDENTIAL EXEMPTION?**

You are eligible for a residential exemption if you owned and occupied your property as your principal residence as of January 1, 2006. An individual owner may qualify for a residential exemption on only one parcel. If you do not see this exemption on your bill, an application form must be submitted within 90 days of the 1st half bill date. You may obtain the form by calling the Assessing Department at 617 349 4343, or by downloading the form from the City's website: www.cambridgema.gov. The form is available under "Online Services, City Permits and Applications." You do not need to reapply each year.

★ **WHY DOES THE AMOUNT OF THE RESIDENTIAL EXEMPTION CHANGE FROM YEAR TO YEAR?**

Since the total assessed value changes based upon market activity each year and the number of housing units generally increases each year, the residential exemption changes each year. The Cambridge City Council has elected to use the highest allowable exemption of 30% which for FY07 is \$203,975, which reduces the owner-occupied homeowner's taxes by \$1,525.73.

★ **I LIVE ON A LIMITED INCOME. WHAT OPTIONS ARE AVAILABLE TO REDUCE MY TAXES?**

If you or your spouse is age 65 or older, you may qualify for a tax exemption of up to \$2,000. Exemptions also are available for disabled veterans and for persons who are legally blind. In cases of extreme hardship, the City may grant a full or partial exemption of taxes. Hardship exemptions are granted on a case-by-case basis, and are usually a one-time exemption. Deferral of taxes may also be an option, depending on your age and income. Information about specific exemptions will be mailed to all taxpayers soon after the tax bills are mailed. You may also contact the Assessing Department at 617 349 4343 to discuss your situation.

★ **WHAT IS THE CPA SURCHARGE? WHAT IS THE MONEY USED FOR?**

The CPA is a property tax surcharge of 3 percent. Cambridge residents voted to adopt the Community Preservation Act (CPA) in 2001. The adoption of the CPA had a neutral effect on tax bills, and enabled the City to qualify for matching funds from the State. Money raised through the CPA must be used to acquire and protect open space, preserve historic buildings, and create and maintain affordable housing. The state provides matching funds to communities that have enacted the CPA legislation. The City has received \$21.8 million in State matching funds through FY 2006 and expects to receive an additional \$5.9 million in FY 2007.

SPECIAL COMMITTEE ON TAXATION UPDATE

The City Manager appointed a Special Committee on Taxation, at the request of the City Council, to identify potential changes to property tax legislation and opportunities for alternative revenue sources to fund the Budget. Any of these changes would require state legislative approval. As a result of the Special Committee's recommendations, MGL 59, Section 59, Clause 41A, which allows qualified elderly persons to defer property taxes, has been amended. The revised law allows the rate of interest to be set by the City at a rate of up to 8% instead of the mandatory 8% required under the prior law. The City Manager recommended that the City Council set the tax deferral rate at 4%, which was approved at the tax classification hearing on September 25, 2006.

What If I Have a Tax Related Question or Want More Information?

Ask The Treasurer

EMAIL: treasurer@cambridgema.gov

SEND MAIL TO:

The City Treasurer
Cambridge City Hall
795 Massachusetts Avenue
Cambridge, MA 02139

VISIT THE CITY'S WEB SITE: www.cambridgema.gov

Sign up for Cambridge E-Line to receive periodic electronic newsletters, alerts and City publications.

CONTACT A DEPARTMENT:

Assessing Department for Property Value Info. 617 349 4343

Budget Office for Expenditure/Revenue Info. 617 349 4270

Finance Department for Tax Bill Info. 617 349 4220

City Manager's Office 617 349 4300

Important Dates

NOVEMBER 2006

Tax Bills Due

NOVEMBER 2006

Abatement Applications Due

JANUARY 2007

Exemption Applications Due

Taxpayer Assistance Meetings

OCTOBER 24, 2006

10:00am - 12:00pm, N. Cambridge Sr. Center

OCTOBER 25, 2006

2:00pm - 4:00pm, Citywide Sr. Center

OCTOBER 26, 2006

10:00am - 12:00pm, Boudreau Library

OCTOBER 30, 2006

4:00pm - 6:00pm, Main Library at Longfellow

OCTOBER 31, 2006

10:00am - 12:00pm, O'Connell Library

NOVEMBER 1, 2006

2:00pm - 4:00pm, Valente Library

www.cambridgema.gov

★ NEWSLETTER #2 ★

www.cambridgema.gov

Tel 617 349 4300

Cambridge, Massachusetts 02139

795 Massachusetts Avenue

City of Cambridge

A Publication of the Office of the City Manager



PRESORTED
FIRST-CLASS MAIL
U.S. POSTAGE PAID
ALTOONA, PA
PERMIT NO. 150